



SUMMARY OF THE 1ST MEETING OF THE CLEARING, SETTLEMENT AND REGISTRATION GROUP (CLR GROUP)

17 December 2018, 10:00 a.m.
CNMV
C/ Edison, 4

1. Introduction

The Chairman of the CLR Group welcomed the attendees and thanked them for their participation. He pointed out that the group's main objectives will be to identify issues and measures to improve the efficiency and competitiveness of the Spanish system, report on regulatory initiatives, and act as a forum for the exchange of information in relation to other matters that may be of interest for post-trading activities. The Chairman stated that, for such purposes, it is of the utmost importance that all the members of the group be proactive.

2. Settlement efficiency

Iberclear commented that, at European level, the types of transactions to consider for calculating settlement efficiency are still in the process of being determined. In this regard, the T2S CSD Steering Group (CSG) is carrying out a series of workshops in order to define the methodology that will be used to calculate this ratio, as well as the measures that must be implemented to improve settlement efficiency.

In the round of speeches, the entities stated that their efficiency levels were adequate.

3. Settlement Financial Intermediary Model

As regards the Iberclear Circular on the optional settlement financial intermediary (SFI) procedure, CNMV pointed out the need to adapt it to the latest regulatory amendments to Royal Decree 878/2015, in particular the one allowing the use of the procedure to settle retail customer transactions.

In the ensuing debate, it was clarified that, in any case, the inclusion of retail customers in financial intermediary accounts is optional for entities. Opinions were expressed on the impact of the settlement financial intermediary potentially filing for insolvency proceedings. CNMV stated that the risks of insolvency proceedings were already specifically addressed when Royal Decree 878/2015 was amended and that they are not specific or different for retail transactions. However, in any case, it asked attendees to

submit in writing any observations or doubts relating to such amendment to the Circular on the optional SFI procedure or in general on the configuration of this procedure in order to perform, if appropriate, an exhaustive analysis.

4. Iberclear authorisation process

To date, the documentation received has not been considered complete by CNMV (Art. 17 CSDR). In this respect, Iberclear and the Commission are working to clarify the outstanding points. Once it is acknowledged that the documentation is complete, the Bank of Spain has three months to evaluate it. However, CNMV is sharing the documentation with the Bank of Spain (a relevant entity under the CSDR) in order to speed up the process as much as possible.

Under this agenda item, reference was made, among other issues, to the future creation of a CSD users' committee (Art. 28 CSDR), made up of issuers and participants.

It was also mentioned by CNMV that due to the procedures for authorising EU CSDs under the CSDR, it is foreseeable that notifications of freedom to provide services (cross-border notarial function) will be received from those CSDs, pursuant to Articles 23 and 49 CSDR. In the event that such notifications are received, they will be analysed by CNMV.

5. CNMV Presentations on CSDR

(Presentation attached)

a. Settlement internaliser (Art. 9 CSDR)

Settlement internalisers must report quarterly the aggregated volume and value of all securities transactions that they settle outside the system to the competent authorities.

The first report (covering the period from 1 April to 30 June 2019) must be submitted to CNMV by 12 July 2019.

CNMV intends to publish a Technical Guide to facilitate compliance with this obligation by regulated entities.

b. Settlement discipline (Art. 6 CSDR)

The measures for the prevention of settlement failings that the standard provides for investment firms and CSDs are introduced.

6. Tax on financial transactions

In view of the connection that this tax may have to the settlement processes and the information that Iberclear and its participants generate, CNMV explained that it has provided a technical opinion to the Government when it has been requested to do so. In addition, it stated the possible negative consequences that this tax could have on settlement in the Spanish securities markets, in the absence of harmonisation at European Union level.

Some members of the group stated their concern about this issue.

7. Web space information for CSDR

CNMV stated that a specific space is being created on its website concerning CSDR, with content of interest to participating entities and users. This area will include, among other issues, applicable regulations, procedures for communicating with CNMV, activities carried out by CNMV (for example, with the summaries of the **CLR** Group meetings) and the mailbox for possible queries, i.e. csdr.mercados@cnmv.es.

8. Q&A

- It is proposed that Brexit be discussed at future meetings.
- Attendees were invited to highlight the topics they wish to discuss at subsequent meetings.

**MEMBERS OF THE CLEARING, SETTLEMENT AND REGISTRATION
GROUP (CSR GROUP)**

CNMV
Bank of Spain
Iberclear
BME Clearing
Spanish Stock Exchanges and Markets
European Central Counterparty NV
Santander Securities Services
Banco Bilbao Vizcaya Argentaria
BNP Paribas, S.A. Sucursal en España
Citibank International PLC
The Spanish Confederation of Savings Banks (CECA)
Credit Suisse Sucursal en España
GVC Gaesco Beka S.V., S.A.
The Spanish Banking Association
Gestora del Fondo General de Garantía de Inversiones, S.A.
Spanish Issuers



CSDR

Settlement internalisers and Settlement discipline

Secondary Markets Department
General Markets Directorate
17 December 2018

1. Settlement internalisers (SI) (art. 9 CSDR)

- SI shall **report** the aggregated **volume and value** of all securities transactions that they **settle outside securities settlement systems on a quarterly basis** to the competent authorities (CA).
- CA shall transmit the information to ESMA and shall inform of any potential risk resulting from that activity.



- This obligation shall enter into force on 10 March 2019. The **first report** shall be sent to the CNMV **by the 12 July 2019** (period 1 April-30 June 2019).
- The RTS 2017/391 details the information the report shall include. The ITS 2017/393 includes the templates and procedures for the reporting.
- Impact for institutions concerned:
 - new legal requirements
 - development of new communication channels with the AC
 - IT system changes

2. Settlement discipline. Measures to prevent settlement fails (art. 6 CSDR)

- Investment firms shall take **measures to limit the number of settlement fails**.
- Goal: **have all the necessary settlement information in time to allow for an effective and efficient settlement of transactions**.
- At least consist of **arrangements between the investment firm and its professional clients** to ensure:
 - the prompt communication of an allocation of securities
 - confirmation of that allocation
 - acceptance/rejection of terms
- CSDs shall establish **procedures that facilitate the settlement on ISD**, with a minimum exposure of its participants to counterparty and liquidity risks, and a low rate of settlement fails.
- RTS 2018/1229 mentions:
 - matching fields
 - cancellation facility
 - hold and release mechanism
 - recycling
 - partial settlement
 - additional facilities and information

3. Documents

CSDR

RTS (EU) 2017/391 on Internalised Settlement

ITS (EU) 2017/393 on Internalised Settlement

FR GL IS

RTS (EU) 2018/1229 on Settlement Discipline

<https://www.esma.europa.eu/regulation/post-trading/settlement>

4. Doubts and comments

csdr.mercados@cnmv.es



Thanks